

August 20, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable V. Earl Dickinson
Co-Chairman, House Appropriations Committee

The Honorable John H. Chichester
Co-Chairman, Senate Finance Committee

The Honorable Vincent F. Callahan, Jr.
Co-Chairman, House Appropriations Committee

The Honorable Stanley C. Walker
Co-Chairman, Senate Finance Committee

Gentlemen:

We have reviewed the status and progress of the **Integrated Human Resources Information System (IHRIS)** as required by the *1997 Appropriations Act*. Our involvement in the project continues and we issued our last report in February 1999.

As last reported, the Steering Committee decided that they could not resolve communication issues surrounding PeopleSoft and in February 1999, approved that the Project Manager undertake a new project direction. The new direction does not replace the existing personnel and payroll systems with a single application and will use a Web technology providing for data entry and exchange into the State's existing personnel and benefits systems.

Review of Project Objectives, Plan, Schedule, and Budget

The project objectives, plan, schedule, and budget serve as the architectural design and blueprint of the project outlining the critical information for both management and the project team to control and manage the work. The information within these items set forth the staff work plan and the needs, timing, and expertise that contractors and others must bring to the project. Finally, this information should provide sufficient detail so that all members of the project team, whether employees or contractors, can continue the project if a key member of the team leaves.

In preparing this report, we requested the project objectives, plan, schedule, and budget. We made our initial request on July 16, 1999, and received this information on August 13, 1999. This information should serve as the basis for redirecting the project and help in setting the technology scope of the project and should have been readily available.

An April 23, 1999, report from the Secretaries of Finance and Technology to the Governor stated that the goals of IHRIS remain consistent with the original intent, although the project would take a new direction using a new technology to achieve the project's goals. The detailed project plan we received does not show where all functionality envisioned by the original plan is in the new technology. For example, the new plan does not include some original modules, such as Training Administration, Health and Safety, and Payroll, and provides no indication as to the reason for their omission.

The project plan and schedule are incomplete and do not provide sufficient detail for the administration and monitoring by both management and the project team. We believe that the incompleteness of the plan has resulted in the use of consultants to issue several procurement solicitations that the project team then cancelled before awarding the contract.

The project budget is incomplete and we could not find support for some estimates. We have concerns that IHRIS, even with its reduced scope, will not remain within the \$2.5 million budget.

In addition to the Project Manager, all IHRIS team members need to have a full understanding of the scope and direction of the project. An adequate understanding of the plan and its direction is an essential element of any project of this size and complexity. This understanding is necessary, so all members of the team understand how their work fits within this complex structure. But, more importantly, that there is a sufficient knowledge base so that the loss of one key team member will allow the rest of the project team to assume and takeover the project's management.

The lack of complete and detailed plans for a project this size raises questions about the project's ability to meet the implementation schedule, monitor and control budget costs, and provide for succession planning if the Project Manager or another key employee left the project. Detailed project objectives, plan, schedule, and budget provide a basis to resolve all of these questions.

Since the Project Manager is continuing to use funding resources devoted to IHRIS, the Steering Committee should require specific detailed project objectives, plan, schedule, and budget. As the plan changes, the Project Manager should modify the documents accordingly. Further, they should require an analysis of original IHRIS functionality for planned components and how the new plan will address these functional concerns. We understand the Steering Committee has not met since April 1999, and has not taken detailed action on the new direction of the project.

EXIT CONFERENCE

We discussed this report with the Chair of the Steering Committee from the Department of Personnel and Training on August 31, 1999.

AUDITOR OF PUBLIC ACCOUNTS

KKH:kva
kva:43

REVIEWING THE PROJECT

The project objectives, plan, schedule, and budget serve as the architectural design and blueprint of the project outlining the critical information for the both management and the project team to control and manage the work. The information within these items set forth the staff workplan and the needs, timing, and expertise that contractors and others must bring to the project. Finally, this information should provide sufficient detail, so that all members of the project team, whether employees or contractors, can continue the project if a key member of the team leaves.

Scope of Our Review

We reviewed the project objectives, plan, schedule, and budget to determine that the documentation addressed all of the major functionality within the original scope of IHRIS. Additionally, we reviewed the documentation for completeness under the assumption that this documentation would serve as the master planning document for the project team and would provide the primary source of information if the project lost any key members.

On July 16, 1999, we requested that the Project Manager provide us the detailed project objectives, plan, schedule, and budget. We received this information on August 13, 1999, only after issuing our original draft report that indicated the requested documents did not exist.

Before July 16, 1999, and in meetings after this date, we have discussed the need to have and review the documentation supporting the project's objectives, plan, schedule, and budget to provide information for controlling and directing the project. The Project Manager and the Chair of the Steering Committee indicated that the information existed, but not as a formal document.

Comparison of IHRIS Project Scope to Project Plan

The current project direction uses a new technology to achieve the project goals. An April 23, 1999, report from the Secretaries of Finance and Technology to the Governor stated that the goals of IHRIS remain consistent with the original intent. The project plan we received does not show where all functionality envisioned by the original plan is in the new technology.

The detailed project plan we received only reflects the tasks associated with the Benefits and Human Resources Administration (HR) modules of IHRIS. The original IHRIS systems specifications included twelve modules including Training Administration, Health and Safety, Leave Accounting, Time and Attendance, and Payroll.

The Project Manager plans to incorporate several of the modules into HR, but there is no detailed plan of which specific modules will be involved, how this is to be accomplished, and desired functionality. The Project Manager has not considered Training, Health and Safety, and Payroll within his detailed project plan and budget. The Project Manager expects to add these modules after making Benefits and HR operational.

IHRIS Project Planning

The project plan and schedule are incomplete and do not provide sufficient detail for the administration and monitoring by both management and the project team. We believe that the incompleteness of the plan has resulted in the use of consultants costing at least \$13,000 to write and issue several procurement solicitations that the Project Manager then cancelled before awarding the contract.

Work continues on IHRIS and the project currently employs the Project Manager, one and a half full-time state employees, and six part-time contract employees. In addition to the Project Manager, all IHRIS team members need to have a full understanding of the scope and direction of the project. An adequate understanding of the plan and its direction is an essential element of any project of this size and complexity. This understanding is necessary, so that all members of the team understand how their work fits within this complex structure. But more importantly, that there is a sufficient knowledge base, so that the loss of one key team member will allow the rest of the project team to assume and takeover the project's management.

The lack of complete and detailed plans for a project this size raise questions about the project's ability to meet the implementation schedule, monitor and control budget costs, and provide for succession planning if the Project Manager or another other key employee left the project. Detailed project objectives, plan, schedule, and budget provide a basis to resolve all of these questions.

The Project Manager should analyze the original IHRIS functionality and determine how the new plan direction will accomplish these functions. The Project Manager should then review the plan and budget for completeness and accuracy and have the Steering Committee review and approve this information. Additionally, the Project Manager should work with the Chair of the Steering Committee and other key members of the project team, so that everyone can contribute to monitoring and control of this project. Completion of the detailed plan and involvement of the entire IHRIS team is essential to ensure the on-going progress of the project should there be the loss of a key person. The Project Manager and the Chair of the Steering Committee should make sure that the detailed project objectives, plan, schedule, and budget support the change in the overall direction of the project. Having the detailed information should allow the Steering Committee to compare the functionality of the new project direction with the original intent of the overall project.

Spending

The Project Manager expects to complete IHRIS with the remaining \$2.5 million in legislative funding. We reviewed the project budget for completeness and support of estimates. We found discrepancies in the estimate for on-site contractors, software costs that had no estimated amount, estimates without documentation, and costs that were not included. Without a complete and accurate budget, we have concerns that IHRIS, even with the planned scope reduction, will not be completed within the remaining \$2.5 million budget.

Deployment Schedule

On April 23, 1999, the Secretaries of Finance and Technology submitted a report to the Governor on their review of IHRIS. The report included the following deployment schedule:

<u>Subject Area</u>	<u>Begin Implementation</u>	<u>End Implementation</u>
Benefits Admin	June 1, 1999	December 31, 1999
HR Admin	September 1, 1999	March 31, 2000
Training Admin	December 1, 1999	June 30, 2000
Health and Safety	March 1, 2000	No date set
Payroll	June 1, 2000	No date set

The Project Manager has not considered in his detailed project plan and budget the Training Administration, Health and Safety, and Payroll modules as reflected in the report to the Governor. These modules were a required functionality of IHRIS under the original systems specifications. Without a detailed project plan, we cannot determine whether the schedule is reasonable or whether the Project Manager is meeting the deadlines. We elaborate on our concern about the implementation schedule in the section, "IHRIS Project Planning."

The above reference to payroll is only an estimate should the Department of Accounts (DOA) decide to participate in the new project plan. As noted in the section, "History," the State will continue to use its existing payroll system to process transactions and there are no plans to change the payroll process. Additionally, DOA will evaluate the results of the new project direction before they consider integrating the payroll process.

History

The *1995 Appropriations Act* provided funding to replace the current payroll and personnel system with an integrated human resource system, IHRIS. Since that time, the project has spent over \$9 million to purchase hardware, pay consultants, purchase the PeopleSoft Human Resources and Payroll software, and train staff on the system. As of December 1998, the project team had installed the customized PeopleSoft Human Resources and Payroll modules and had versions available for testing.

Project management comes from a Steering Committee, who has the responsibility to monitor the project's status, address major issues and policies, provide strategic direction, and resolve conflicts for resources and priorities. Committee members include agency heads from the Department of Personnel and Training (Chair), Department of Accounts, Department of Information Technology, and the Department of Technology Planning.

Beginning in early January 1999, several changes affected the IHRIS project. The Steering Committee hired a new Project Manager, who has direct responsibility for IHRIS and is accountable to the Steering Committee. The project team ended The Hunter Group's involvement in the management of IHRIS. A consultant assumed The Hunter Group's administrative duties at a significantly reduced cost.

At a February 1999 meeting, the Steering Committee decided that they could not resolve the communication issues with PeopleSoft and approved that the Project Manager undertake a new project direction. The new direction involved not replacing existing state personnel and payroll systems with a single application. Rather than replace current payroll system (CIPPS) and personnel system (PMIS), the plan is to continue using these systems and integrate PMIS, the current benefits system (BES), and other independent human resource systems using web-based technology.

The State will continue to use its existing payroll system to process transactions and there are no plans to change the payroll process in the near future. DOA will evaluate the results of the new project direction before they consider integrating the payroll process.